

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

February 23, 2017

12:03 p.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator Cathy Giessel
Senator Click Bishop
Senator Lyman Hoffman

Representative Andy Josephson, Vice Chair
Representative Scott Kawasaki
Representative Paul Seaton
Representative Ivy Spohnholz
Representative Jennifer Johnston

MEMBERS ABSENT

Senator Anna MacKinnon
Senator Natasha von Imhof (alternate)

Representative Dan Ortiz (alternate)

COMMITTEE CALENDAR

APPROVAL OF THE AGENDA
APPROVAL OF THE MINUTES
EXECUTIVE SESSION
AUDIT CONTRACTS
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KRISTIN CURTIS
Legislative Auditor
Legislative Audit Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information and updates on the audits currently being conducted by the Legislative Audit Division.

ACTION NARRATIVE

[12:03:34 PM](#)

CHAIR GARY STEVENS called the Legislative Budget and Audit Committee meeting to order at 12:03 p.m. Senators Stevens, Giessel, and Bishop, and Representatives Josephson, Kawasaki, Seaton, Spohnholz, and Johnston were present at the call to order. Senator Hoffman arrived as the meeting was in progress.

Approval of the Agenda

[12:04:20 PM](#)

CHAIR STEVENS announced that the first order of business would be approval of the agenda.

[12:04:28 PM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve the agenda. There being no objection, it was so ordered.

Approval of the Minutes

[12:04:37 PM](#)

CHAIR STEVENS announced that the next order of business would be approval of the minutes.

REPRESENTATIVE JOSEPHSON made a motion to approve the minutes of the Legislative Budget and Audit Committee of January 27, 2017. There being no objection, the minutes from the meeting of January 27, 2017 were approved.

Executive Session

[12:04:51 PM](#)

CHAIR STEVENS announced that the next order of business would be to move into Executive Session.

[12:05:05 PM](#)

REPRESENTATIVE JOSEPHSON made a motion to move to executive session under Uniform Rule 22(b)(1), discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit.

[12:05:32 PM](#)

A roll call vote was taken. Representatives Kawasaki, Seaton, Spohnholz, Johnston, and Josephson, and Senators Stevens, Hoffman, Giessel, and Bishop voted in favor of moving into executive session. Therefore, by a vote of 9 yeas - 0 nays, the committee moved into executive session at 12:06 p.m.

[12:06:17 PM](#)

The committee took an at-ease from 12:06 p.m. to 12:31 p.m.

Audit Contracts

[12:31:16 PM](#)

CHAIR STEVENS brought the committee back to order and announced that the next order of business would be for audit contracts.

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee authorize the Chair, as procurement officer, to solicit and award a contract or contracts for statewide single audit services for a total amount, including all contracts, not to exceed \$120,000.

[12:31:33 PM](#)

A roll call vote was taken. Representatives Kawasaki, Seaton, Spohnholz, Johnston, and Josephson and Senators Stevens, Hoffman, Giessel, and Bishop voted in favor of the authorization to the Chair to award a contract or contracts for statewide single audit services. Therefore, this authorization was passed by the Legislative Budget and Audit Committee by a vote of 9 yeas - 0 nays.

[12:32:21 PM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve an amendment to the contract with MBE CPAs, in the amount of \$15,000 for audit services, not to exceed \$50,000.

12:32:34 PM

A roll call vote was taken. Representatives Kawasaki, Seaton, Spohnholz, Johnston, and Josephson and Senators Stevens, Hoffman, Giessel, and Bishop voted in favor of an amendment to the contract with MBE CPAs. Therefore, this amendment was passed by the Legislative Budget and Audit Committee by a vote of 9 yeas - 0 nays.

Other Committee Business

12:33:08 PM

CHAIR STEVENS announced that the final order of business would be for other committee business.

12:33:25 PM

KRISTIN CURTIS, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, directed attention to the financial audit of the Alaska State Legislature [Included in members' packets] and explained that there was a requirement in statute for this to be performed annually. She pointed to the first document titled the Schedule of Appropriations, Expenditures, and Encumbrances and the Schedule of Revenues, and explained that this was the financial statement for the legislature. She referred to the audit opinion, and relayed that this was included for the members' information but did not contain anything of significance. She presented the second document, the Letter to the Members of the Legislative Council and Legislative Budget and Audit Committee. She explained that these two entities were referenced by the accounting profession as "those charged with governance" and the letter was required by auditing standards for every financial audit. She added that, as the format of the letter was dictated by auditing standards, there was nothing unusual with the section that said Significant Difficulties Encountered during the Audit. She shared that there was a similar letter to the Executive Branch at the end of the audit, and she offered her belief that there were no concerns raised in the letter. She pointed to the representation letter from the financial management at Legislative Affairs Agency making specific representations, which was also required by auditing standards. She reported that she provided this information to the Legislative Budget and Audit Committee every year.

12:35:00 PM

REPRESENTATIVE SPOHNHOLZ referenced page 3 of the Schedule of Appropriations, Expenditures, and Encumbrances and asked where the per diem would appear in the itemization.

[12:35:22 PM](#)

MS. CURTIS, in response, said that per diem would be in the travel line. She directed Representative Spohnholz to the Legislative Budget and Audit Committee listing, then to the allocation of committee expense, and then to the travel line. She explained that within each allocation, the travel line would include airfare, per diem, and rental cars.

[12:35:51 PM](#)

REPRESENTATIVE SPOHNHOLZ referenced page 5 of the same document and asked about the line item titled Restricted Revenues, Federal Compliance Audit. She said, "we have appropriated revenues of \$750,000 and actual revenues of \$300,000" and she asked for an explanation.

[12:36:10 PM](#)

MS. CURTIS replied that, traditionally, there was an RSA (Reimbursable Service Agreement) with the Department of Administration (DOA) to pay for part of the cost for the single audit. However, during the budget cycle for FY16, this was increased to the current \$750,000 with the idea that DOA pay more for the actual cost of the single audit. She reported that, as the department did not have that money in its budget, in FY 16 the remaining \$450,000 was requested in the supplemental budget. However, this request was denied and the Legislative Audit Division only received the \$300,000. She opined that, as the Legislative Audit Division had lapsed money in FY16, this may have been part of the reason for denial of the supplemental budget request.

[12:37:08 PM](#)

CHAIR STEVENS moved on to discussion of the audit for the Alaska Mental Health Trust Authority. He asked Ms. Curtis whether it was possible to speed up the process, as it was projected to not start for another year.

[12:37:58 PM](#)

MS. CURTIS, in response, said that the audit of the Alaska Mental Health Trust Authority would be done by the staff in the Anchorage office of the Legislative Audit Division. She offered her belief that this performance audit could begin by May, if all went smoothly. She explained that the 2008 audit request for the Matanuska Maid dairy plant had not been completed due to the unfinished disposition of its assets. The final piece of property in this disposition had just been sold in January, which would allow for this audit to be finished. However, if the Legislative Budget and Audit Committee asked to prioritize the audit of the Alaska Mental Health Trust Authority, she would re-visit the audit request for the Matanuska Maid dairy plant at a later date. She added that there were also two other older audits, which included an audit of the Board of Game Local Advisory Committees and an audit of the MV Tustumena Overhaul and Refurbishment. As these audits were Juneau office based, the audit of the Alaska Mental Health Trust Authority by the Anchorage office would not be impacted.

[12:39:51 PM](#)

REPRESENTATIVE KAWASAKI pointed out that there were other audits posted in December 2016, including the audit of Medicaid and Children's Health Insurance Program Travel Costs and the audit of the Alaska Gasline Development Corporation. He asked if the audit of the Alaska Mental Health Trust Authority would supersede these audit requests.

[12:40:18 PM](#)

MS. CURTIS replied that, as all three of those audits were received at the December Legislative Budget and Audit Committee meeting, the first audit started would depend on availability and location of staff. She relayed that, although direction from the committee could determine to first start the audit of the Alaska Mental Health Trust Authority, as there was a competing priority for the federal compliance audit which had a statutory time line, it may be necessary to "put it [the audit of the Alaska Mental Health Trust Authority] down to address those requirements, and then pick it back up." She stated that she did not have an estimate for completion of the audit of the Alaska Mental Health Trust Authority.

[12:41:09 PM](#)

SENATOR BISHOP asked when the audit of the MV Tustumena Overhaul and Refurbishment had been requested.

MS. CURTIS offered her belief that it was a 2013 request. She explained that subsequent litigation had delayed the audit, but, as this litigation was now completed, the audit would now proceed.

CHAIR STEVENS asked the committee for its approval to move forward on the audit of the Alaska Mental Health Trust Authority, and he acknowledged that "things may change and we find we can't complete it because of other issues."

[12:42:07 PM](#)

REPRESENTATIVE JOSEPHSON offered his belief that the audit of the Alaska Mental Health Trust Authority was more urgent than the 2008 audit request for the Matanuska Maid dairy plant.

[12:42:32 PM](#)

MS. CURTIS asked that the Legislative Budget and Audit Committee members determine which audit was more urgent. She shared that she had not reviewed either audit enough to comment on the urgency for each, and that she would abide by the decision of the committee.

[12:43:05 PM](#)

SENATOR GIESSEL stated that she advocated for priority to an audit of the Alaska Mental Health Trust Authority as it was a current issue of concern, whereas the audit request for the Matanuska Maid dairy plant "was sort of a done deal at this point."

SENATOR HOFFMAN stated that he concurred.

[12:43:28 PM](#)

REPRESENTATIVE SEATON expressed his agreement to prioritize the audit of the Alaska Mental Health Trust Authority. He suggested that the statute of limitations could be nearing for the audit of the Matanuska Maid dairy plant.

[12:43:48 PM](#)

CHAIR STEVENS acknowledged that there were no objections to prioritizing the audit of the Alaska Mental Health Trust Authority.

12:44:02 PM

CHAIR STEVENS offered an update for the consultants for oil and gas. He reported that earlier discussion for a contract with Paul Morgan had revealed that Mr. Morgan had taken a position with Wood Mackenzie, which would have created a conflict of interest. He shared that, after discussions with the House Finance Committee and the House Resources Standing Committee regarding the hiring of another consultant for this legislative session, a contract had been signed with Rich Ruggiero of Castle Gap. He reported that the Senate was satisfied with its current consultants, Roger Marks and Nikos Tsafos. He declared that he did not anticipate the hiring of any other consultants in the near future. He pointed out that the contract with Mr. Tsafos had been extended through May 31, 2017 for an additional \$20,000, and the contract with Mr. Marks had been extended through June 30, 2017 and, as there was money still in this contract, there had not been a need for any additional funds.

CHAIR STEVENS stated that work had begun for an RFP (Request for Proposal) for long term consultants. He invited the committee members for their suggestions of individuals and companies to send the RFP to, and on the scope of work language.

12:46:04 PM

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 12:46 p.m.